

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-05 COME-00 TRSE-00 STR-04

OMB-01 OPIC-03 L-03 CIAE-00 INR-07 NSAE-00 /043 W

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R 251139Z JUN 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 0679

INFO AMEMBASSY LONDON

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DEPARTMENT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: ETRD EAGR FR

SUBJECT: PARIS SUGAR MARKET

REF: STATE 138810; PARIS 15876

1. SUMMARY: EMBOFF CALLED ON LEGER, CABINET OF FINANCE MINISTER FOURCADE, TO MAKE SAME POINTS AS IN PARIS REFTEL. IT IS OBVIOUS GOF NOW TAKING HANDS OFF POSITION REGARDING SETTLEMENT OF OUTSTANDING FINANCIAL PROBLEMS WHILE IT ATTEMPTS TO PREPARE INSTITUTIONAL AND FINANCIAL ARRANGEMENTS FOR REOPENING OF PARIS WHITE SUGAR MARKET. END SUMMARY.

2. ON JUNE 24 EMBOFF HAD EXTENSIVE REVIEW OF SUGAR MARKET SITUATION WITH DOMINIQUE LEGER, WHO HAS BEEN ACTIVE ON BEHALF OF MINISTRY OF FINANCE IN ORGANIZING A NEW CLEARING BANK FOR THE PARIS COMMODITY MARKETS. EMBOFF STRESSED IMPORTANCE WE ATTACH TO EQUITABLE SOLUTION OF OUTSTANDING FINANCIAL PROBLEMS. SINCE THERE ARE AMERICAN INTERESTS ON BOTH SIDES OF THE MATTER THE U.S. DID NOT HAVE A POSITION ON THE SUBSTANCE OF THE SOLUTION. HOWEVER, WE FELT IT IMPORTANT TO CLEAR UP THE ACCOUNTS AS QUICKLY AS POSSIBLE EITHER THROUGH A LIMITED OFFICIAL USE

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PROMPT DECISION BY THE ADMINISTRATIVE TRIBUNAL OR

THROUGH AN OUT-OF-COURT SETTLEMENT FACILITATED BY THE GOVERNMENT AS ENVISAGED EARLIER. LEGER SAID A COURT DECISION IS UNLIKELY. HE ASSUMED THAT FOLLOWING THE CONSEIL D'ETAT DECISION OF JUNE 20, THE ADMINISTRATIVE COURT WILL RULE AGAINST THE BROKER NATAF, WHO HAD BROUGHT SUIT TO ENFORCE APPLICATION OF ARTICLE 22 OF THE MARKET REGULATIONS. HE THOUGHT THE COURT WOULD BE UNWILLING TO SAY AT WHAT PRICE SETTLEMENT SHOULD BE MADE FOR POSITIONS REMAINING OPEN WHEN THE SUGAR CLOSED. IF IT FOLLOWED THE LOGIC OF THE CONSEIL D'ETAT AND DECLARED FOR THE CURRENT PRICE, THE DECISION WOULD BE UNENFORCEABLE. THE LONGS WOULD HAVE TO FIND A BILLION FRANCE, AND THIS WOULD BE IMPOSSIBLE. LEGER SAID A NEGOTIATED SOLUTION WOULD HAVE TO BE FOUND AND HE THOUGHT THIS WOULD BE POSSIBLE RATHER SOON FOR ABOUT 80 PERCENT OF THE CONTRACTS. THERE WAS NO NEED FOR THE GOF TO INTERVENE IN THE ONGOING PROCESS, SINCE A PROMPT SOLUTION WAS NOW IN THE INTEREST OF ALL PARTIES, AND THE LONGS HAD NO REASON FOR DELAY. LEGER THOUGHT THE SHORTS WERE BEING REASONABLE IN OFFERING 5700 FRANCS A TON AS THE SETTLEMENT PRICE.

3. FYI: OTHER EMBASSY SOURCES INDICATE THAT SHORTS HAVE NOT YET AGREED ON A FIRM OFFER. MAURICE VARSANO, CHAIRMAN OF THE TECHNICAL COMMITTEE WHICH SUPERVISED THE SUGAR MARKET AND DIRECTOR OF FRANCE'S LARGEST COMMODITY TRADING COMPANY (SUCRES ET DENREES), HAS APPOINTED HIMSELF AN INTERMEDIARY BETWEEN THE SHORTS AND LONGS. VARSANO WAS REPORTED AS HAVING BOUGHT OUT THE NATAF LONG POSITIONS AT AN UNSPECIFIED PRICE, THUS

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OMB-01 OPIC-03 L-03 CIAE-00 INR-07 NSAE-00 /043 W

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R 251139Z JUN 75

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TO SECSTATE WASHDC 0680  
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HE IS AN INTERESTED PARTY. WHETHER THE SHORTS WILL AGREE ON A FIRM OFFER IS STILL UNCLEAR. BACHE COMMODITIES S.A., A WHOLLY OWNED SUBSIDIARY OF THE BACHE GROUP, SAYS A SOLUTION AT 5700 FRANCS WILL COST THE COMPANY 2-3 MILLION DOLLARS AND AT 5200 FRANCS 5-6 MILLION DOLLARS. A NEGOTIATED SOLUTION WOULD LEAVE BACHE VULNERABLE TO LAWSUITS BY CUSTOMERS WHO WOULD CLAIM THE COMPANY SETTLED AT A LOW PRICE. DIRECTOR OF BACHE'S PARIS OFFICE THINKS ANYTHING OVER 5700 FRANCS WOULD BE UNFAIR TO THE SHORTS, BUT IN LIGHT OF CONSEIL D'ETAT DECISION, HE FEELS THEY ARE AT MERCY OF SHORTS AND HOPES LATTER WILL BE REASONABLE. END FYI.

4. REGARDING NEW MARKET ORGANIZATION LEGER CONFIRMED THE PLANS ARE WELL ADVANCED FOR CREATION OF A NEW CLEARING BANK IN WHICH HE SAID THE INTERNATIONAL COMMODITY CLEARING HOUSE OF LONDON INTENDED TO PARTICIPATE. EMBOFF SAID IT WAS DIFFICULT TO SEE HOW PARIS COULD INDUCE TRADERS TO RETURN TO THIS MARKET WITHOUT A FULL AND LEGALLY CLEAN SETTLEMENT OF OUTSTANDING FINANCIAL QUESTIONS. LEGER MADE IT QUITE CLEAR THAT THE NEW CLEARING BANK WOULD NOT ASSUME ANY RESPONSIBILITY FOR PAST DEBTS OF THE CAISSE DE LIQUIDATION.

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5. SINCE MEETING WITH LEGER, EMBASSY HAS ASCERTAINED THAT CURRENT LEGAL STATUS OF CAISSE IS VERY UNCLEAR. THUS EVEN IF A NEGOTIATED SETTLEMENT IS REACHED THERE IS SOME QUESTION AS TO HOW PAYMENTS MIGHT BE PROCESSED. THE SHORTS WILL MAKE SETTLEMENT OF DEBTS OWED BY THE CAISSE A PRECONDITION FOR SETTLEMENT OF THE OPEN POSITIONS. EMBASSY IS KEEPING IN CLOSE TOUCH WITH BOTH ACLI LAWYERS AND BACHE COMMODITIES WHO ARE ON OPPOSITE SIDES OF THE PROBLEM.  
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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SUGAR, TRADE, SECURITIES MARKETS, BANKS, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 138810, 75 PARIS 15876  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 21 MAY 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <21 MAY 2003 by MartinML>; APPROVED <22 MAY 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PARIS SUGAR MARKET  
**TAGS:** ETRD, EAGR, BDIS, FR  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006